

# Entrepreneurial finance: financing antecedents and SMEs performance

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## ABSTRACT

Entrepreneurs have conducted various previous researches on the relationship between a cognitive bias and financing decisions. Besides that, it still needs a further study to examine whether a cognitive bias is related to SMEs performance through company finances. The purpose of this research is to test financing antecedents and SMEs performance. One kind of a creative industry, batik SMEs that are located in Pekalongan, Central Java, Indonesia, are the object of this research. There were 190 respondents chosen from batik entrepreneurs. The holistic testing of this empirical model used structural equation modelling (SEM) with an AMOS program. The research results found that an entrepreneur's cognitive bias has a significant positive bias towards financing. Meanwhile, entrepreneurial orientation and financing are proven to have a significant positive influence towards SMEs performance. No entrepreneurial orientation influence was discovered towards SMEs performance. Furthermore, the output analysis revealed there is an indication of a strong relationship between a cognitive bias and entrepreneurial orientation. Therefore, this model can be revised, developed, and retested by considering the agenda of this research to enrich insights in the entrepreneurial finance sphere.

## ABSTRAK

Temuan riset terdahulu mengenai hubungan bias kognisi dengan keputusan pembiayaan oleh pengusaha masih beragam. Selain itu, masih perlu diuji apakah bias kognitif berkaitan dengan kinerja UKM melalui pembiayaan usaha. Riset ini bertujuan untuk menguji antededen pembiayaan dan kinerja UKM. Salah satu jenis industri kreatif, yaitu UKM batik yang berlokasi di Pekalongan, Jawa Tengah-Indonesia menjadi obyek penelitian ini. Responden yang terpilih adalah pemilik usaha batik sejumlah 190 orang. Pengujian model empiric secara holistic menggunakan structural equation modelling (SEM) dengan program AMOS. Hasil riset menemukan bahwa bias kognitif pengusaha berpengaruh positif signifikan terhadap pembiayaan. Sementara itu orientasi kewirausahaan dan pembiayaan juga terbukti berpengaruh positif signifikan terhadap kinerja UKM. Tidak ditemukan pengaruh orientasi kewirausahaan terhadap kinerja UKM. Lebih jauh, analisis output menemukan adanya sinyalemen hubungan erat antara bias kognitif dan orientasi kewirausahaan. Oleh karena itu, model ini dapat direvisi, dikembangkan serta diuji kembali dengan mempertimbangkan agenda penelitian ini untuk memperkaya insight pada ranah entrepreneurial finance.

## 1. INTRODUCTION

The presence of SMEs in a particular company is considered to have plus and minus points. The strengths of SMEs are that they rely more on local

resources, which are proven to be able to sustain themselves in the middle of a turbulent economic crisis, and they can act as buffers for a country's economy. Behind the strengths of SMEs, there are

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several problems related with SMEs like poor company financial management (Karadag, 2015); a lack of professional knowledge and a series of company management activities that are not well thought out (Kapoor, Dlabay, & Hughes, 2015); low access to external financing (Oseifuah, 2010; Wise, 2013); and variations in entrepreneurial capabilities or preferences from the entrepreneurs (Fatoki, 2012; Rezaei, Ortt, & Scholten, 2012). These problems have the potential to stall SME developments whenever they are not well managed.

Funds are important resources that can be used to capture business opportunities (Rita, Wahyudi, & Muharam, 2018). The weaknesses of entrepreneurs' capabilities in recognizing competitive financing opportunities that are appropriate with a company's cyclical needs can affect financial decision making that is not very optimal for the enterprise (Beck & Demircug-Kunt, 2006). Courage is needed to take risks, as well as have a proactive and innovative attitude in making company financial decisions (Fairchild, 2009), whether when using internal or external financial capital. The availability of financial capital is important throughout the company cycle. Every firm has a different financial pattern for all of its life cycle stages, beginning from the start-up stage until the mature stage (Koch, Kuhn, Gruenhagen, & Hisrich, 2010; Xiao, 2011). This fact is due to the different conditions in each stage of a business cycle. If an entrepreneur is unable to recognize a financing pattern, it will cause failure in the firm. This means that financial problems are connected with the entrepreneurial aspect of an entrepreneur.

The resources needed for a new company are not only in the form of capital, but also in the form of other input like human capital, material, technology, and other intangible resources that are owned by the enterprise. One of the abilities needed by an entrepreneur in running a business is opportunity recognition, whether related to resource opportunities or new business opportunities (Shane, Locke, & Collins, 2003). The various resources will be collaborated through an entrepreneurial bricolage process, so that they produce something new that did not exist before (T. Baker & Nelson, 2005). Entrepreneurial orientation from an entrepreneur has a significant role in fulfilling resource needs for the company's sustainability.

To fulfill a company's funding needs, an entrepreneur strives to attract potential investors, in order that they will want to invest in the firm. In general, entrepreneurs will persuade potential investors by providing complete information about

the business projections. However, when conveying that information, oftentimes there is a cognitive bias on the part of the entrepreneur. The cognitive bias can be in the form of evaluating the level of low business risks, time periods to make quicker initial investment returns, as well as the consideration that a new company has a high chance of success in the market (Adomdza, Åstebro, & Yong, 2016; Hmieleski & Baron, 2009).

The earliest research findings on the relationship between a cognitive bias and an entrepreneur's financing decisions varied. There were some that claimed there is no relationship between both of them (Adomdza et al., 2016); there is a positive influence (Adomdza et al., 2016; S. Lee & Persson, 2016); or there is a negative influence (Schwardmann & Van der Weele, 2016), especially when an entrepreneur is faced with well-informed potential investors. This is a research gap that can be explored further.

A question which then surfaced was whether this cognitive bias could also be related with the business performance through company financing. Discussions on this topic still showed inconclusive results from previous research. Several researchers documented that there is a negative relationship between an entrepreneur's optimism and company performance when the dimension from cognitive bias is at a moderate to a very high level (Aspinwall, Sechrist, & Jones, 2005; Åstebro, Jeffrey, & Adomdza, 2007; Hmieleski & Baron, 2009). Other researchers stated that there is a positive relationship between optimism and company performance (Scheier, Carver, & Bridges, 2001), as well as a positive influence between confidence and performance (Compte & Postlewaite, 2004). These research facts imply that further research still needs to be conducted to confirm the relationship between cognitive bias and company performance through the financing obtained.

There is no explanation about the relationship between cognitive bias, entrepreneurial orientation towards financing, and SME performance behind this research. Therefore, this research examines whether a cognitive bias always has a positive effect on SME fundraising when it is added with the variable of entrepreneurial orientation in the model, as well as the importance of combining these factors with business performance.

## 2. THEORETICAL FRAMEWORK AND HYPOTHESES

**Cognitive Bias and Financing.** Cognitive bias is defined as an error in reasoning and perception

that causes evaluating and decision making to deviate from normative rationality (Kahneman, Lovallo, & Sibony, 2011). According to the psychology perspective, humans have emotions besides ratios, where they both can influence short-term and long-term human behavior. Adomdza et al. (2016) stated that cognitive bias, which consists of planning fallacy, overoptimism, and overconfidence, is connected with fundraising. An entrepreneur's cognitive bias can also form cognitive legitimacy, which indicates various kinds of expertise that are owned by an entrepreneur that are successfully captured by another party (Bohner, Dykema-Engblade, Tindale, & Meisenhelder, 2008). An entrepreneur's effort to attract potential investors can be done by providing one's business success projections; however, occasionally a cognitive bias is slipped into it. Moreover, in a persuasion attraction context, an entrepreneur will be able to convince another party that the individual has a thorough understanding of the business being operated, so that the entrepreneur will be able to attract financiers to invest (Bohner & Dickel, 2011; Chen, Yao, & Kotha, 2009; Pollack, Rutherford, & Nagy, 2012).

This persuasive effort is crucial when conversing with a nascent venture (Schwardmann & Van der Weele, 2016), where the level of asymmetry information between an entrepreneur and an external party is relatively high (Delmar & Shane, 2004). Meanwhile, in the pioneering stage, an entrepreneur greatly depends on stakeholders' support in fulfilling resources to do further firm developments. On another side, stakeholders do not have a means of evaluating the firm's history when they want to invest in it, so that they are faced with a high degree of uncertainty regarding the company's worthiness and prospects (Zott & Huy, 2007).

An entrepreneur's ability to persuade potential investors depends on whether the entrepreneur is able to make oneself appear interesting in front of fund providers, so that in the end potential investors consider the existence/legitimacy of the new firm (Nagy, Pollack, Rutherford, & Lohrke, 2012), and they are certain that the new enterprise has a high prospect of success.

*Hypothesis 1: Cognitive bias has a significant positive influence towards financing.*

### **Entrepreneurial Orientation and Financing.**

The premise of the relationship between entrepreneurial orientation and financing can be explained by using the behavioral finance theory, which explains an individual's psychology in influencing behavior and making financial decisions (H. K.

Baker & Ricciardi, 2015; Nofsinger & Wang, 2011), or a study about behavior especially in the finance arena (DeBondt, Forbes, Hamalainen, & Muradoglu, 2010). Based on the psychology perspective, humans have emotions and ratios where they both can influence short-term or long-term human behavior.

An entrepreneur who has a high entrepreneurial spirit tends to experience a behavior bias, whether related with one's cognition, emotions, or social psychology (Van Der Wijst, 2012). In an SME financing context, an entrepreneur who has an entrepreneurial orientation will strive to increase financing access by establishing connections with fund providers or other entrepreneurs, which ultimately leads to improving the firm's performance (Mohammed, Umar, & Nzelibe, 2016). Entrepreneurial orientation consists of three indicators, namely risk taking, innovative and proactive (Miller, 1983). The willingness to face risks will improve an entrepreneur's ability to accumulate external funds to finance one's business. This means that an entrepreneur has a risky situation, in which the results can be controlled by them (calculative risk), not just for the sake of depending on available opportunities.

An innovative entrepreneur tends to always search for a creative solution when faced with a problem, including one's effort to acquire capital. A proactive entrepreneur will be able to create and obtain resources, including in searching for additional finances in the form of greater debt than one's competitors to become an initiator in producing new products and markets (Lumpkin & Dess, 2001). This means that an entrepreneur who is willing to take risks, be innovative, and be proactive will be able to look for capital, in order to produce new materials, methods, products, markets, and organizations to increase the firm's growth.

*Hypothesis 2: Entrepreneurial orientation has a significant positive influence towards financing.*

### **Entrepreneurial Orientation and SME Performance.**

The influence of entrepreneurial orientation on SME performance can be explained by using the entrepreneurship theory in a psychological perspective, in that an individual who has an entrepreneurial orientation is able to produce growth, firm performance, as well as success. An entrepreneur is an individual who has high achievement needs. This characteristic makes the person appropriate to create a business (McClelland, 1961). An individual who has high achievements will choose

a situation that is marked by individual responsibility, moderate risk taking, knowledge about satisfaction results, new instrument activities, and future possible anticipation.

In a resource-based view theory, this entrepreneurial orientation is an intangible resource that can improve a firm's performance. Entrepreneurial orientation, which consists of risk taking, innovativeness, and proactiveness, has an influence towards firm performance like level of profit growth, market, market share, and overall performance (Tang, Tang, Marino, Zhang, & Li, 2008); as well as affects learning orientation (Wang, 2008). For a company that seeks high performance and has a sustainable competitive advantage, it must master heterogeneous resources that are difficult to create, be replaced, or be imitated by another company. Those unique resources include entrepreneurial orientation. In other words, an individual who has high entrepreneurship is considered to have wide knowledge, a strong personality, technical competency, competence, and an ability to make strategic decisions that support the business performance.

*Hypothesis 3: Entrepreneurial orientation has a significant positive influence towards SME performance.*

### **Influence of Financing towards SME Performance.**

Debt financing has a positive influence towards firm performance (Campello, 2006; Ortiz-Walters & Gius, 2012). Campello (2006) stated that a moderate level of debt can improve company performance rather than a firm which has no debt. The reason for this is because funds from debt can increase production, so that a firm is able to construct heterogeneous resources compared with its competition. Debt funding can also be used to finance fixed asset investment projects that are bigger than their competitors who do not have debt (unlevered firm). Oranburg (2016) stated that funds from debt are considered advantageous for a start-up company, because in its initial stage a firm often experiences financial constraints. When receiving additional funds from debt, an entrepreneur can take advantage of the funds to improve the company's rate of development.

External financing which originates from venture capital also has a positive influence on the firm's performance (Adina-Simona, 2013; Raude, Wesonga, & Wawire, 2015). Fund providers can become product distribution channels for the firm. An increase in performance can also occur due to the presence of additional knowledge from the in-

vestors, which can become a directive in running the entrepreneur's business. For a founder who has an open attitude towards the business model and the involvement of investors, the individual will obtain valuable experiences, connections, and skills which can be used to improve the firm's performance.

*Hypothesis 4: Financing has a significant positive influence towards SME performance.*

### **3. RESEARCH METHOD**

This research used a quantitative-positivistic approach. The research object was batik SMEs in Pekalongan Regency, Central Java, Indonesia. Pekalongan was chosen because the batik is a more complex cultural mixture of Chinese, Malaysian, Japanese, Dutch, and Arabic. Besides that, Pekalongan batik has developed to become not only handmade and printed batik, but it has also become a pluralistic printing industry (Rita, Priyanto, Andadari, & Haryanto, 2018). The sample taken used a purposive sampling technique with a judgment sampling type. The analytical unit of this research was batik SME entrepreneurs or owners, who were responsible for their firm management and finances; as well as SMEs that were chosen because they were included in the batik producer category, not as retailers or wholesalers. Based on those criteria, 190 respondents were chosen.

The variables involved in this research were exogenous latent variables, endogenous latent variables, and structured/indicator variables as seen in Table 1.

All of the answers from the developed question items were measured by using a 5-point likert scale (1. Very low; 2. Low; 3. Average; 4. High; 5. Very high). The data that was obtained from each score of the question items for each indicator was calculated to find the mean score for all of the 11 indicators in this model. The average values were tabulated to obtain continuous data, so that it was expected that the data acquired would have normal distribution. When all of the average values for each indicator were retrieved, then the data was ready to be processed by using sem.

### **Research Model**

The SME financing operational model between constructs along with their indicators that were arranged based on theoretical studies is presented below (Figure 1).

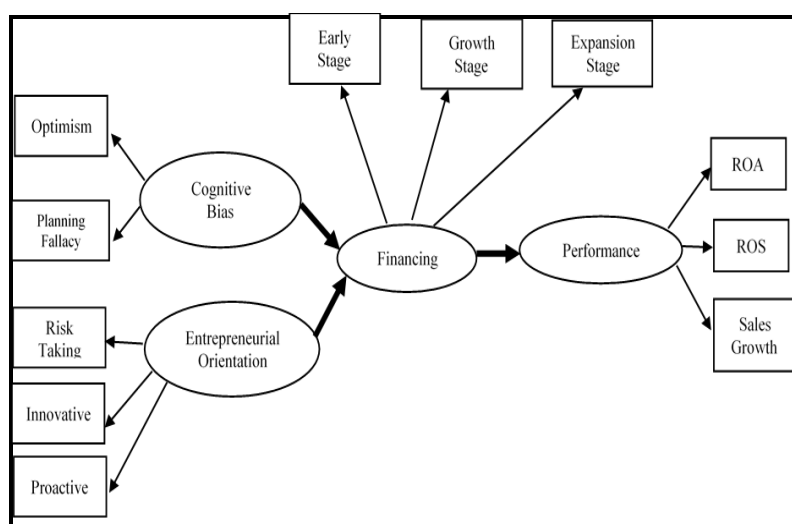
**Table 1**  
**Variable Measurement**

Variable	Dimension	Indicator
Cognitive Bias	Optimism	1. Business prospect 2. Perceived capability
	Planning Fallacy	1. Target achievement 2. Time achievement
	Risk Taking	1. Develops new ideas 2. Runs the business outside of one's expertise 3. Is willing to risk failure
Entrepreneurial Orientation	Innovative	1. Is ready to respond to a competitor's business strategy 2. Tries out a new product 3. Applies new technology
	Proactive	1. Utilizes a new method before one's competitors 2. Introduces a new product before one's competitors 3. Enters a new market before one's competitors
Financing	Early Stage	External fundraising in the early stage of the firm
	Growth Stage	External fundraising in the growth stage
	Expansion Stage	External fundraising in the expansion stage
Performance	Return on Assets (ROA)	Role of assets towards improving the firm's profit
	Return on Sales (ROS)	Role of sales towards improving the firm's performance
	Sales Growth	Firm's sales growth

Note:

Business Development Stages consist of:

- Early stage: introducing the product; profits still do not exist; looking for buyers; self-controlled.
- Growth stage: profit starts to increase; start hiring other people.
- Expansion stage: new market; new product; new organization.



**Figure 1**  
**SME Performance and Financing Causality Relationship Path Diagram Model**

Source: Developed for this research (2018).

#### 4. DATA ANALYSIS AND DISCUSSION

Based on testing the model fitness, it can be concluded that the model can be used to test the hypotheses and make estimations of the variables within it (Table 4.2.) Table 2 and Table 3 show the results of hypothesis testing.

From the model test results found in Table 2, all of the indicators are gauges of the latent variables, as supported by a probability value under 0.05. The hypothesis test results reveal that a cognitive bias, which consists of optimism and planning fallacy, has a significant positive influence on fi-

financing with a probability value of 5% and a regression coefficient of 0.344. The antecedents from SME performance are shown by the positive and significant influence from entrepreneurial orientation and financing with regression coefficients of

0.158 and 0.235 at  $\alpha$  5%. Meanwhile, entrepreneurial orientation is not proven to have a positive influence towards financing, because the probability value is above 5%, with a regression coefficient of -0.095.

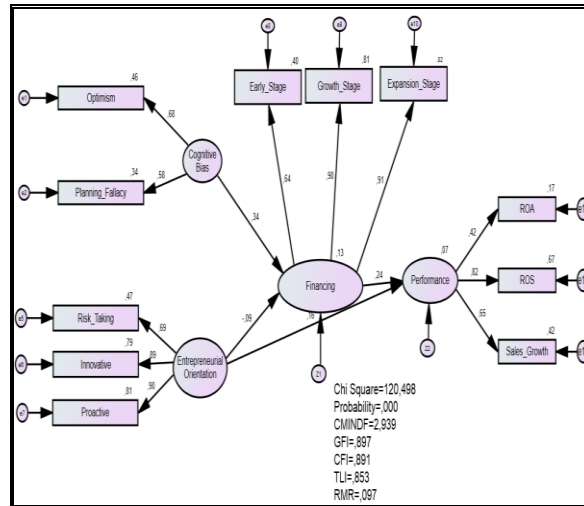


Figure 2

#### Full Model Test Results

Source: processed primary data (2018)

In comparing the manifest variables, it seems optimism has the highest coefficient value as a shaper from the cognitive bias variable with a value of 0.682. The proactive dimension is a more dominant variable than the risk-taking dimension and the innovative dimension in forming entrepreneurial orientation, with a lambda value of 0.902. The expansion stage dimension has a more dominant

influence as a shaper of the financing latent variable than the early stage dimension and the growth stage dimension, with a lambda value of 0.908. The Return in Sales dimension is more dominant as a manifest variable than SME performance and Return on Asset in forming performance, with a lambda value of 0.821.

Table 2  
Regression Weights (Group No. 1 - Default Model)

			Estimate	P
Financing	< -- >	Cognitive Bias	0,746	***
Financing	< -- >	Entrepreneurial Orientation	-0,105	0,233
Performance	< -- >	Financing	0,190	**
Performance	< -- >	Entrepreneurial Orientation	0,141	*
Planning Fallacy	< -- >	Cognitive Bias	1,000	
Optimism	< -- >	Cognitive Bias	1,528	0,011
Proactive	< -- >	Entrepreneurial Orientation	1,000	
Innovative	< -- >	Entrepreneurial Orientation	0,970	***
Risk Taking	< -- >	Entrepreneurial Orientation	0,718	***
Early Stage	< -- >	Financing	1,000	
Expansion Stage	< -- >	Financing	1,088	***
Growth Stage	< -- >	Financing	1,000	
ROA	< -- >	Performance	0,457	0,001
ROS	< -- >	Performance	1,000	
Sales Growth	< -- >	Performance	0,741	***

Source: Processed primary data (2018)

Table 3

**Standardized Regression Weights (Group No. 1 – Default Model)**

			Estimate
Financing	< -- >	Cognitive Bias	0,344
Financing	< -- >	Entrepreneurial Orientation	-0,095
Performance	< -- >	Financing	0,235
Performance	< -- >	Entrepreneurial Orientation	0,158
Planning Fallacy	< -- >	Cognitive Bias	0,579
Optimism	< -- >	Cognitive Bias	0,682
Proactive	< -- >	Entrepreneurial Orientation	0,902
Innovative	< -- >	Entrepreneurial Orientation	0,887
Risk Taking	< -- >	Entrepreneurial Orientation	0,688
Early Stage	< -- >	Financing	0,635
Expansion Stage	< -- >	Financing	0,908
Growth Stage	< -- >	Financing	0,899
ROA	< -- >	Performance	0,415
ROS	< -- >	Performance	0,821
Sales Growth	< -- >	Performance	0,645

Source: Processed primary data (2018)

### **Influence of Cognitive Bias towards Financing.**

These research results convey that a cognitive bias influences financing in a positive and significant manner. This means that an entrepreneur who has a higher planning fallacy will have better financing than one who does not have any planning fallacy. Optimistic, excessive confident and planning fallacy entrepreneurs will give a signal that leads to a more positive view of their business than the actual conditions. Optimism can cause a bias in the probability of a successful outcome. The cognitive bias of an entrepreneur can have an impact on an investor's decision to fund his business when investors believe that the business will be successful (Adomdza et al., 2016). When providing information about business projections, it is reinforced by an entrepreneur's conviction that the projections provided are low risk and the returns can be obtained quicker. This can convince fund providers, so that they want to finance their firms. On another side, when someone feels that he/she can reach targets quicker and more frequently, the individual will then be brave to use debt or use one's own capital to finance the firm. Zhang and Cueto (2015) stated that planning fallacy could influence an entrepreneur in making financing decisions.

These research results also demonstrate that optimism can inspire financing in a positive and significant way. Zhang and Cueto (2015) stated that an individual's cognitive bias can encourage the person in making financing decisions. An entrepreneur's cognitive bias can influence his decision to finance a business when he is certain that the firm will be successful (Adomdza et al., 2016). An entrepreneur who is optimistic is able to succeed in

whatever he does even if he has not done it, will have a kind of illusion of knowledge that he/she is different from others (Bazerman, 2001), so that the individual can have more self-confidence than other people. Someone who has a cognitive bias are more motivated to take funding activities from external sources. Levander, Raccuia, and Hamrefors (2001) emphasized that an entrepreneur who feels certain and has high confidence will be susceptible to making unstructured risky decisions, including in financing decisions. In this research, an entrepreneur's cognitive bias is positive because it can encourage company financing in the early phase, growth phase, or expansion phase.

### **Influence of Entrepreneurial Orientation towards Financing.**

There is insufficient evidence that entrepreneurial orientation will have a positive effect towards company financing. There are several argumentations regarding this result. The entrepreneurial orientation of an SME entrepreneur tends to be tied with the company's operational activities and investments, not in the financing activities. Whether the entrepreneurial orientation is high or low, it does not affect the company financing decisions, whether in the early phase, growth phase, or expansion phase. External financing will still be taken when the internal capital is no longer sufficient to meet the firm's needs, moreover when a new business enters the start-up phase (Robb & Robinson, 2014). Having a relatively small business scale causes an insufficient availability of internal funds, so that an entrepreneur will still strive to acquire external funds in whatever way necessary, so that

the business will keep running. Larger capital needs will be more pronounced when the business enters the growth and expansion phases. This fact is in line with the pecking order theory, which discusses the order of utilizing funds based on the cheapest capital fees (Vigneron, 2012). This causes the entrepreneurial orientation to have no effect on the performance.

#### **Influence of Entrepreneurial Orientation towards SME Performance.**

Entrepreneurial orientation has a positive and significant influence towards company performance. Being brave to take and face risks is seen in the willingness to develop new ideas, run a business outside of one's expertise, and have the inclination to bear the firm's failures. Having a high innovative characteristic is realized in the readiness to respond to a competitor's business strategy, always experiment to produce new products, as well as apply new technology in the production process. An entrepreneur with a high proactive trait can be viewed from the willingness to apply strategies before one's competitors related to the methods, products, and new markets. An entrepreneur can become successful due to having entrepreneurial characteristics like a need for achievement, an internal locus of control, self-reliance, extroversion, an educational background and experiences, as well as business network building activities (D. Y. Lee & Tsang, 2001). An entrepreneur who has a desire to become successful and does not want to be looked down upon by society will make various innovative efforts, so that the firm will succeed. This success will become its own happiness (well-being) and create a competitive advantage (champion). This is why entrepreneurial orientation has an effect towards improving SME performance.

#### **Influence of Financing towards SME Performance.**

Financing is also demonstrated to influence company performance. These research results support studies that were carried out by Ortiz-Walters and Gius (2012), Adina-Simona (2013); Raude et al. (2015), who stated that financing which originates from debt and equity has a positive influence towards firm performance. The higher the financing that is owned by an SME entrepreneur is, the better its performance will be. This condition occurs when debt is still at a moderate level (Campello, 2006). If the debt increases, then the firm performance will also increase. Funds from debt can increase the production, so that the enterprise has strategic ben-

efits over its competitors in the industry. Funds from debt facilitate an entrepreneur to assemble bigger and more various resources compared with one's competitors. Next, an entrepreneur is also able to produce more than one who has limited funds.

An SME entrepreneur who has more funds will be able to have higher productivity than those who have limited funds. Besides productivity, increasing the financing will improve the efficiency in using the input. Costs can become more economical, or in the same scale, costs can produce more output. This means that increasing the financing can improve the firm productivity and efficiency, which in the end will make the firm more competitive. When the competition improves, the company performance will also improve, which in turn will also improve the good image of the enterprise.

#### **5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS**

The SME financing behavior model seems to be connected with various aspects of entrepreneurial behavior. Financing is strongly related with the cognitive bias from entrepreneurs, where cognitive bias and further than that have an effect on improving performance.

This research confirms as follows: A cognitive bias, which consists of planning fallacy and optimism, has a positive influence towards SME financing; entrepreneurial orientation, which consists of risk taking, innovative, and proactive dimensions, has a positive influence towards financing; entrepreneurial orientation has a positive influence towards SME performance; and financing has a positive influence towards SME performance, which consists of ROA, ROS, and sales growth dimensions.

The managerial implications that can be taken from these research results are that when an entrepreneur has a cognitive bias, it is not completely negative. This is proven in that when an entrepreneur has a cognitive bias with a high level of optimism towards one's business prospects that are being undertaken, it can actually increase external financing resources. This high optimism is needed by an entrepreneur in turning the wheels of the company's vehicle, so that it can develop. Besides that, the financial performance can be improved by doing particular financing activities in the expansion phase, where the SME's condition is relatively stable compared with the initial phase and the growth phase.

This research has not been able to prove that



entrepreneurial orientation influences firm financing, even though numerous previous studies have supported this finding. Therefore, it is suggested to do research by categorizing the business scale, whether at the micro level, small level, or medium level to be able to capture clearer phenomena. This is due to having different firm characteristics, both from the side of asset ownership and annual sales profit. There is a finding that has not been much researched, in that entrepreneurial orientation is related with cognitive bias. This issue needs to be examined further in future research by modifying the present model based on strong theoretical references.

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## APPENDIX

	Statements	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
	<b>Planning Fallacy</b>					
1.	I feel I can do work faster than others					
2.	I often do work near the deadline					
	<b>Optimism</b>					
3.	I always see my business will continue to grow					
4.	When I was given responsibility, I paid little attention to details					
	<b>Risk Taking</b>					
5.	I am willing to develop new ideas					
6.	I am willing to run a new business outside of my expertise					
7.	I am willing to risk failure for the decisions I make					
	<b>Innovative</b>					
8.	I am willing to respond to competitors' business strategies					
9.	I am willing to test a new product					
10.	I am willing to apply new technologies that are more efficient					
	<b>Proactive</b>					
11.	I am willing to apply a new method ahead of competitors					
12.	I am willing to introduce new products ahead of competitors					
13.	I am willing to enter new markets ahead of competitors					
	<b>Early Stage</b>					
14.	I use funds that mostly come from debt at the early stage of the business					
15.	I use funds that mostly come from venture capital at the early stage of the business					
	<b>Growth Stage</b>					
16.	I use funds that mostly come from debt at the growth stage of the business					
17.	I use funds that mostly come from venture capital at the growth stage of the business					
	<b>Expansion Stage</b>					
18.	I use funds that mostly come from debt at the expansion stage of the business					
19.	I use funds that mostly come from venture capital at the expansion stage of the business					
	<b>Performance</b>					
20.	The role of assets for increasing my current business profits					
21.	The role of sales turnover towards increasing my current business profits					
22.	Sales growth of my current business					